

DOCKET NO. 03-0371

PUBLIC UTILITIES COMMISSION

**CONSUMER ADVOCATE'S RESPONSES TO
HESS'S INFORMATION REQUESTS ON THE
CONSUMER ADVOCATE'S WRITTEN DIRECT TESTIMONY**

The responses to the following information requests were prepared by Mr. Herz, who is the sponsor of the responses.

HESS-DT-IR-1 to CA **Ref.: CA-T-1, p.23, lines 1-3**

"Customers electing to install on-site generation may leave the utility with stranded costs that may be paid for by the remaining customer base, ultimately resulting in higher electric rates."

Please provide the basis for this statement?

RESPONSE:

Under the utility's current bundled rates, the utility will only be compensated when the customer purchases energy from the utility. Thus, the utility will experience a loss of fixed cost-related revenues, even though customers with on-site DG may continue to receive T&D service. Furthermore, the utility will be required to incur fixed costs to provide back up generation to serve customer's DG load when the customer-sited DG is not operating. The utility, however, would not be compensated for maintaining the backup generation under the current bundled rate since the customer would not be purchasing energy from the utility while the customer's on-site generator produced sufficient energy to meet the customer's load. The utility may also incur fixed cost to provide ancillary services such as maintaining frequency control, maintaining

appropriate voltage levels, providing regulation to follow changes in moment to moment changes in the customer's DG load even when the customer-sited DG is operating.

Ultimately, if the customer with customer-sited DG does not compensate the utility for the cost of the utility's transmission, distribution and generation facilities to provide these services, then such costs are unrecovered or stranded until such time the utility raises its rates and recovers the cost from its other customers.

HESS-DT-IR-2 to CA **Ref.: CA-T-1, p. 62, lines 9-15**

A. Please describe in detail how the CA's proposed monthly transmission, distribution, and ancillary service charge to the utility for the amount of capacity "reserved" on the utility's system to backup the DG generator differs from HELCO's current standby charge.

RESPONSE: Since the unbundled rates for each utility have not yet been determined, we are unable to state how the unbundled rates differ from a cost perspective to HELCO's standby charge. Transmission, distribution and ancillary services are services that a customer uses when the customer is connected to the utility grid. Although the customer provides some of its own energy requirements, it still uses these utility services.

A standby charge, if we understand it correctly, is for the purpose of compensating the utility for having utility generating resources available to serve the customer load when the customer's own energy resource does not serve all of the customer's energy requirements. Thus, a standby charge is more generation related while transmission and distribution charges are not generation related. Ancillary services are generation-related services that many customers' generators may not be able to provide.

- B. Will the CA's proposed monthly transmission, distribution, and ancillary service charge create a barrier to the deployment of DG? If no, please explain in detail why not.

RESPONSE:

No it should not create a barrier to the deployment of DG. The proposed unbundled charge will merely prevent customers with customer-sited DG from being subsidized by other customers. The Consumer Advocate's proposed monthly transmission, distribution, and ancillary service charge is merely intended to recover from the customer with customer-sited DG, the utility's cost of providing service to that customer. On the other hand, if the output of customer-sited DG is sold to utility, and used by the utility to serve all customers, the output of the customer-sited DG should be sold to the utility at a rate that is equal to the utility's avoided costs. The utility's avoided costs are determined from the utility's IRP which considers DG in developing the utility's lowest reasonable cost plan. These two items, unbundling rates and the utility's IRP plan, are necessary for the deploying DG in an orderly manner at lowest, reasonable cost to the utility and its customers.

HESS-DT-IR-3 to CA **Ref.: CA-T-1, p. 62, lines 9-20**

Is the CA proposing a monthly transmission, distribution, and ancillary service charge to the utility for the amount of capacity "reserved" on the utility's system to backup the DG generator or to the customer's total load?

RESPONSE: The charge would generally be based on the capacity of the DG generator unless the DG generator capacity is greater than the customer's total load in which case the charge would be based on the customer's total load. Also, if the customer were willing to accept the risk that the utility may not be able to serve the customer when needed, and thus not incur the fixed costs to provide that capacity at all times, the standby rate could be reduced.

Please explain in detail the distinction between the two and why the CA prefers one method over the other?

RESPONSE: The charge is intended to compensate the utility for the T&D and generation ancillary services the utility provides to the customer for the portion of the customer's load served by the customer-sited DG facility. If the DG capacity and output is less than the customer's total load, the T&D and ancillary service charges would be applicable to the portion of the customer load that could be served by the DG generator. On the other hand, if the DG capacity is greater than the customer's total load, the utility's services are limited to the customer's total load.

Accordingly, the monthly unbundled charge would also be limited to, and not exceed, the customer's total load.

HESS-DT-IR-4 to CA **Ref.: CA-T-1, p. 65, lines 6-8.**

Would the Consumer Advocate agree that the HEI Companies standardized physical interconnection requirements and standardized interconnection agreement for DG, although good starting points, need to be amended to conform to the National Interconnection Standards by the Institute of Electrical and Electronics Engineers ("IEEE")?

RESPONSE:

The HEI Companies standardized physical interconnection requirements and agreement for DG should be periodically reviewed, evaluated and compared with the current IEEE standards to determine if modifications and updates should be made to such standards. The Consumer Advocate has not made a comparison of the HEI Companies standardized interconnection requirements and agreements with the current IEEE standards and therefore is not able to comment at this time whether amendments are appropriate. See also the Consumer Advocate's responses to HESS-SOP-IR-2 and 3.

If no, please explain in detail why not.

RESPONSE:

Not applicable.

HESS-DT-IR-5 to CA **Ref.: CA-T-1, p.65, line 11.**

How would the Consumer Advocate define “streamlined”?
Would the Consumer Advocate define it as between 30 and 60 days?

RESPONSE:

It is difficult to quantify the specific number of days representing “streamlined” without knowing the specific issues that need to be addressed in a given situation. Any attempt to provide a quantification at this time is merely speculative.